

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Expedited Application of Pacific Gas and Electric Company (U 39 M) to (1) Issue, Sell and Deliver One or More Series of Its First and Refunding Mortgage Bonds, Debentures, Subordinated Deferrable Interest Debentures, Promissory Notes and/or Other Evidences of Indebtedness in Connection with Domestic or Euro-Market offerings, to Guarantee the Obligations of Others in Respect of the Issuance of Securities and to Arrange For Standby Letters of Credit as Performance Guarantees, the Total Aggregate Principal Amount of Such Issuances and Guarantees Not to Exceed \$2 Billion; (2) Enter into One or More Interest Rate Caps, Collars and Swaps; (3) Issue Variable Rate Debt (Including Fixed Rate Debt Swapped to a Variable Rate) to Finance Balancing Account Undercollections; and (4) Obtain an Exemption from the Competitive Bidding Rule.

Application 00-10-029
(Filed October 18, 2000)

**ADMINISTRATIVE LAW JUDGE'S RULING ON
MOTION OF PACIFIC GAS AND ELECTRIC COMPANY
FOR EXPEDITED DECISION AND ORDER SHORTENING TIME
RELATED TO ITS CONCURRENTLY FILED
PETITION FOR MODIFICATION OF
DECISION (D.) 01-01-062, D.01-02-050,
D.01-06-074, D.02-03-025 AND D.03-02-061**

Summary

On January 15, 2004, Pacific Gas and Electric Company (PG&E) filed its Petition to Modify a series of decisions that grant authority under Pub. Util. Code § 851¹ to pledge its accounts receivable and core natural gas inventory for the sole purpose of procuring core natural gas supplies for its retail customers. PG&E also filed a Motion seeking expedited treatment of the Petition. This Ruling grants the Motion as modified herein.

D.03-02-061 extended previously granted authorization until the earlier of (i) May 1, 2004, (ii) 15 days after an upgrade of the credit rating of PG&E's senior unsecured long-term debt to at least BBB- by Standard & Poor's (S&P) or Baa3 by Moody's Investor Services, Inc. (Moody's), (iii) the effective date of a Chapter 11 plan of Reorganization for PG&E, or (iv) the dismissal or conversion of PG&E's Chapter 11 case. The practical effect of D.03-02-061 was to allow payment for core gas purchased from April 2003 through March 2004 to be secured under the authorization in effect today. PG&E's Petition requests an order modifying D.01-01-062, D.01-02-050, D.01-06-074, D.02-03-025 and D.03-02-061 to extend the end date of the authorization period from May 1, 2004 to August 1, 2004, or until the gas receivable securitization terminates under the other previously applicable terms of the authority, whichever is earlier.

Background

The Commission granted PG&E authority under § 851 to pledge its accounts receivable and core inventory² for the sole purpose of procuring core

¹ All statutory references are to the Public Utilities Code unless otherwise indicated.

² For purposes of this ruling, "core inventory" is defined as gas designated for core customers that is held in storage fields and pipelines.

gas supplies. The authority was granted with overriding restrictions that if certain conditions were achieved either emergence from bankruptcy and the related financial crisis for PG&E, or if a sunset date was reached then the authority would end.

On December 18, 2003, the Commission issued D.03-12-035 Modifying the Proposed Settlement Agreement of PG&E, PG&E Corporation and the Commission Staff, and Approving the Modified Settlement Agreement in I.02-04-026. On December 22, 2003, the United States Bankruptcy Court, Northern District of California, issued an Order Confirming Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for PG&E Proposed by PG&E, PG&E Corporation and the Official Committee of Unsecured Creditors Dated July 31, 2003, As Modified. Also, on December 24, 2003, the Commission issued D.03-12-058 in Investigation 02-07-015 granting authorization for the financing to implement the plan of reorganization resulting from the Settlement Agreement, as modified by D.03-012-035.

PG&E seeks an extension at this time because it has targeted the end of the first quarter or the beginning of the second quarter of 2004 to complete the financing activities for implementing the plan of reorganization. But PG&E asserts that this estimated timing could create a gap in PG&E's ability to provide adequate security to core gas suppliers in the spring. Under the authorization in D.03-02-061, PG&E pleads that the last month for which it can secure its purchases of core gas is March 2004. Purchases of gas for March delivery would be covered by April gas accounts receivable, but gas purchased for April delivery would not be as currently authorized. PG&E states that much of the gas for April delivery needs to be purchased in early March 2004, and it could face the

possibility of trying to buy core gas without authority to secure the purchases with receivables, while still under Chapter 11 protection.

PG&E's Request

PG&E seeks an extension of authority to extend the end date of the authorization period from May 1, 2004 to August 1, 2004, or until the securitization terminates under the other applicable terms, whichever is earlier. PG&E does not seek any change in D.01-01-062's provision that the authority to pledge the gas accounts receivables terminates 15 days after the credit rating of PG&E's senior unsecured long-term debt is upgraded as described in Ordering Paragraph 2 of D.01-01-062. Consequently, PG&E states that the extension of the authorization to August 1, 2004 would not conflict with an earlier termination of the authority once the Settlement Plan of Reorganization in PG&E's Chapter 11 Bankruptcy case is implemented, and PG&E returns to investment grade credit ratings.

By this Ruling we also ask Parties to comment on whether this authority should be extended to November 1, 2004 (three months further than sought by PG&E) in order to avoid a further extension request in the unanticipated event that PG&E's emergence from Bankruptcy is delayed for any reason.

An Expedited Decision Would Waive or Shorten Time for Public Review

A binding commitment to expedite a decision cannot be made by Ruling. This Ruling will establish a schedule that may increase the likelihood of a prompt decision even though PG&E's Petition was not filed with sufficient time for observing the standard practices and procedures.

Any Commission decision on this Petition would be the sixth in a series and, as such, most parties likely are familiar with the policy issues.

Rule 77.7(f)(9)³ and § 311(g) gives some discretion to reduce or waive public review and comment of a draft decision. This Ruling will shorten the time for opening comments to five days after the draft decision is mailed and the time for reply to two days after opening comments. Further, comments and reply comments must be also received by 4:00 p.m. on the appropriate day. At a future time it may be finally determined that the comment period on a draft decision is waived or reduced under either § 311(g)(2) or § 311(g)(3).

Shortened Time to Respond to the Petition to Modify

PG&E sought responses from interested parties to its Petition within 10 calendar days. Under Rule 47(f) this Ruling establishes the following schedule for the Petition to Modify:

- Responses to Petition due January 26, 2004 by 4:00 p.m.
- PG&E's Reply to Petition Responses due January 30, 2004, by 4:00 p.m.

Parties should serve responses electronically and should ensure that Administrative Law Judge Long is served at: dug@cpuc.ca.gov. Parties should file hard copies within two business days of the above due dates in accordance with Article 2 of the Rules of Practice and Procedure.

Summary of Schedule

Comments on Petition	January 26, 2004
----------------------	------------------

³ All references to Rules are to the California Public Utilities Commission Rules of Practice and Procedure.

PG&E's Reply to Comments	January 30, 2004
Draft Decision – <u>tentative</u>	February 13, 2004
Draft Comments (5 Days)	February 18, 2004
Reply Comments (2 days)	February 20, 2004
Decision – Commission Meeting - <u>tentative</u>	February 26 or March 17, 2004

IT IS RULED that:

1. No comments are needed on Pacific Gas and Electric Company's (PG&E) Motion.
2. Comments on PG&E's Petition shall be electronically served by January 26, 2004, at 4:00 p.m. and paper copies shall be filed with the Commission within two business days thereafter.
3. PG&E's reply to Petition comments shall be electronically served by January 30, 2004, at 4:00 p.m. and paper copies shall be filed with the Commission within two business days thereafter.
4. Opening comments on a draft decision are due from interested parties five days after the date it is mailed. Reply comments are due two days after opening comments. Comments shall be electronically served by 4:00 p.m. Paper copies shall be filed with the Commission within two business days thereafter.
5. Parties shall serve comments and replies electronically and shall file paper copies with the Commission's Docket Office, as explained herein.

Dated January 16, 2004, at San Francisco, California.

/s/ DOUGLAS M. LONG

Douglas M. Long
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling on Motion of Pacific Gas and Electric Company for Expedited Decision and Order Shortening Time Related to Its Concurrently Filed Petition for Modification of Decision (D.) 01-01-062, D.01-02-050, D.01-06-074, D.02-03-025 and D.03-02-061 on all parties of record in this proceeding or their attorneys of record.

Dated January 16, 2004, at San Francisco, California.

/s/ ELIZABETH LEWIS
Elizabeth Lewis

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at

A.00-10-029 DUG/hl2

(415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.